U.S. Department of Homeland Security
United States Coast Guard

Commandant
United States Coast Guard

2100 2nd Street SW
Washington, DC
Staff Symbol: CG-441
Phone: 202-475-5661
Fax: 202-475-5955

COMDTNOTE 4121

MAY 21, 2007

COMMANDANT NOTICE 4121

CANCELLED: MAY 20, 2008

Subj: CH-8 TO THE COAST GUARD UNIFORM SUPPLY OPERATIONS MANUAL, COMDTINST M4121.4

1. PURPOSE. To provide changes to the Coast Guard Uniform Supply Operations (USO) Manual, COMDTINST M4121.4.

2. ACTION. Area and district commanders, commanders of maintenance and logistics commands (MLCs), commanding officers of headquarters units, assistant commandants for directorates, Judge Advocate General, and special staff offices at Headquarters shall ensure compliance with the provisions of this Notice. Internet Release Authorized.

3. DIRECTIVES AFFECTED. None.

4. SUMMARY OF CHANGES. This notice reflects policy changes to USO Manual Chapters 5, 10, 11, 13 and 15. The policy changes are to correct audit findings and update Coast Guard policy and procedures for procurement, inventory management, reparables, warehouse management, measurement and reporting at Aircraft Repair and Supply Center (ARSC) and Engineering Logistics Center (ELC). ARSC and ELC are to update their internal procedures in accordance with these policy changes.

5. PROCEDURES. Remove and insert the following chapters:

REMOVE	INSERT
Chapters 5, 10, 11, 13 and 15	Chapters 5, 10, 11, 13 and 15

DISTRIBUTION – SDL No. 147

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q	r	s	t	u	v	w	x	y	z
A																										
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NON-STANDARD DISTRIBUTION: MLCs only

6. ENVIRONMENTAL ASPECT AND IMPACT CONSIDERATIONS. Environmental considerations were examined in the development of this notice and have been determined not to be applicable.

7. FORMS/REPORTS. Inventory Control Effectiveness (ICE) Report, RCN-41231-1, may be reproduced locally.

/s/
D. G. GABEL
Rear Admiral, U.S. Coast Guard
Assistant Commandant for Engineering and Logistics

Encl: (1) CH-8 to Uniform Supply Operations Manual, COMDTINST M4121.4

CHAPTER 5 - PROCUREMENT

A. Overview. Procurement is the process of procuring supplies, services, and/or construction materials that the ICPs require to accomplish their assigned tasks. Due to the many variables and regulations in the government procurement process an effective procurement management process must be in place. Procurement management ensures that all contractual documents are properly planned to comply with appropriate laws, regulations, solicitation specifications and evaluations. Also included are contractual and funding obligation procedures that provide for timely delivery of supplies and services, and adequate Quality Assurance (QA) and inspection procedures. (See Chapter 14, QA, of this manual.) The Coast Guard (CG)/government currently uses four methods of procurement:

1. Simplified Acquisition. Simplified Acquisition Procedures (SAP) is the preferred method for the acquisition of supplies, services and construction material within the Simplified Acquisition Threshold (SAT). Further guidance and direction is provided in the Simplified Acquisition Procedures Manual, COMDTINST M4200.13 (series).

2. Major Acquisition. This method of procurement is used when the total value of the requirement exceeds the Simplified Acquisition Threshold (SAT) as addressed in the Simplified Acquisition Procedures Manual, COMDTINST M4200.13. The major acquisitions shall follow the Major Systems Acquisition Manual, COMDTINST M5000.10 (series).

3. Military Interdepartmental Purchase Request (MIPR). A MIPR is a method of procuring materials, supplies and/or non-personal services via an Other Government Agency (OGA) source, known as the Servicing Agency.

4. Requisition. Requisitioning is the method of procuring items of supply through the Federal Supply System (FSS). MILSTRIP/MILSTRAP are the processes used:

   a. MILSTRIP is the process used to requisition items of supply and to obtain supply advice, supply status, material issue, material receipt, material returns and redistribution of material.

   b. MILSTRAP is the process used to report inventory accounting information pertaining to material receipt, material issue and adjustment actions amongst stock locations, ICPs and the Integrated Material Manager (IMM).

B. Procurement References.

1. Federal Acquisition Regulation (FAR).
2. Accounting for Inventory and Related Property, Statement of Federal Financial Accounting Standards (SFFAS) Number 3.
3. Accounting for Property, Plant and Equipment, Statement of Federal Financial Accounting Standards (SFFAS) Number 6.
4. Federal Financial Management Improvement Act (FFMIA) of 1996.

5. Federal Information Resource Management Regulation (FIRMR).
6. Military Standard Requisitioning and Issue Procedure (MILSTRIP) Manual, DOD 4000.25-1-M dtd April 28, 2004.
7. Military Standard Transaction Reporting and Accounting Procedure (MILSTRAP) Manual, DOD 4000.25-2-M dtd September 2001, as amended.
8. Major Systems Acquisition Manual, COMDTINST M4150.2 (series).
9. Simplified Acquisitions Procedures (SAP) Handbook, COMDTINST M4200.13 (series).
10. Coast Guard Acquisition Procedures (CGAP), COMDTINST M4200.19 (series).
11. Spare Parts Breakout (SPBO) Program, COMDTINST 4408.8 (series).
12. Financial Resources Management Manual (FRMM), COMDTINST M7100.3 (series).
13. Homeland Security Acquisition Manual.

C. Policy.

1. ICPs shall procure supplies, services, and construction required to function within their defined area of authority and accomplish their assigned tasks. All procurements shall comply with Departmental and Agency procedures and the applicable references in Paragraph B.

   a. Federal Supply Class (if available), part number, model number, nomenclature, manufacturer code (CAGE code), acquisition unit cost, quantity and total acquisition cost for each item procured shall be listed on contracts, delivery orders, billing, receipts and invoices. The acquisition unit cost is the price the contractor charges for each item (including handling and transportation costs). A copy of the contract shall be provided to the ICP 30 days prior to the shipment of the first item and a copy of the invoice shall be provided to the ICP within 10 days of presentation for payment. The invoice shall tie to the contract with no exceptions.

   b. Intra-departmental transfers/donations and excess material shall not be accepted without the documentation addressed in C.1.a above or in Figure 5-1 and transfer and receipt property signatures. Historical cost or other valuation methods which approximate historical cost should include all appropriate purchase, transportation and production costs incurred to bring the items to their current condition, form and location. Transfer will be accomplished IAW the Property Management Manual, COMDTINST M4500.5 (series). A copy of the transfer document(s) and historical documentation (addressed in C.1.a above or in Figure 5-1) shall be provided to the ICP 30 days prior to the shipment of the first item. Any financial transactions shall tie to the transfer document(s) with no exceptions.

   c. Inter-departmental transfers/donations and excess material shall not be accepted without documentation to support valuation. Historical cost or other valuation methods which approximate historical cost should include all appropriate purchase, transportation and production costs incurred to bring the items to their current condition, form and location. Transfer will be accomplished IAW the Property

Management Manual, COMDTINST M4500.5 (series). A copy of the transfer document(s) shall be provided to the ICP 30 days prior to the shipment of the first item. Any financial transactions shall tie to the transfer document(s) with no exceptions. If the external agency can not provide the ICP with historical valuation documentation or their Net Book Value at the time of transfer the ICP shall request, in writing, approval from their appropriate program manager. The ICP's cognizant program manager shall provide a recommended course of action to the ICP within 10 days of the request. All correspondence (sent and received) related to ICP requests for approval shall be maintained by the ICP comptroller's office.

2. MILSTRIP/MILSTRAP information shall be transmitted to the Defense Automatic Addressing System Center (DAASC) in accordance with MILSTRIP Manual, DOD 4000.25-1-M and MILSTRAP Manual, DOD 4000.25-2-M.

3. When procuring inventory stock items, packaging and marking requirements shall be specified in acquisition documents to ensure proper receipt and stowing, and to prevent needless repackaging and upgrading of packaging at the receiving activity.

4. ICPs shall coordinate new requests and changes to MILSTRIP/MILSTRAP system through Commandant (CG-441).

5. ICPs shall review and respond/comment to Commandant (CG-441) on MILSTRIP/MILSTRAP Proposed Mil Change Letters (PMCLs) and/or Approved Mil Change Letters (AMCLs).

Missing Documents Decision Tree

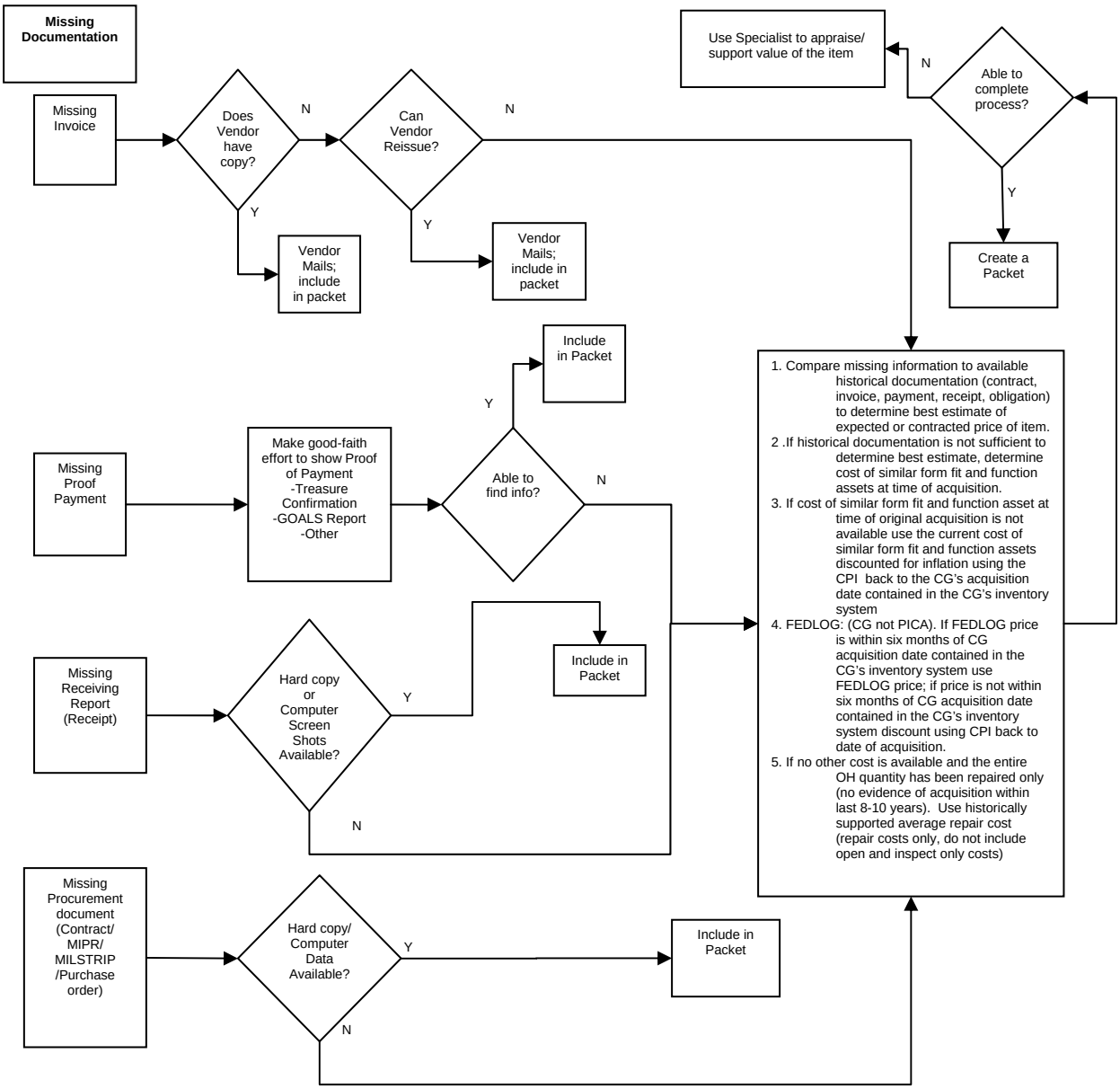

Figure 5-1

CHAPTER 10 - INVENTORY MANAGEMENT

A. Overview.

1. The Inventory Control Point (ICP) inventory management process involves obtaining, managing and delivering items of supply to Coast Guard (CG) platforms, systems and equipment. Timely and accurate categorization of ICP stock items at introduction and during life cycle management is essential to logistics support, valuation, and financial reporting.

2. Inventory items may be managed under either a demand based or non-demand based criteria. Each ICP shall ensure that the item coding accurately reflects the basis for maintaining a stocking level.

3. Inventory Managers (IMs) are assigned the primary responsibility for the management of assigned items of supply. IMs obtain and distribute stock in a manner that provides effective and efficient supply support to their customers. Stock is defined as consumable and reparable spare parts stocked at ICPs and at authorized Remote Stock Points, e.g., DLS, Contractor Facilities, ISCs, Navy Depots, etc. ICPs shall ensure that stock records are properly classified at all authorized locations by developing local processes to review the material held under each of the following categories.

   a. Demand Based Inventory

      (1) Demand - An item of supply that is procured and stocked, and replacement is predicted as a result of usage. Stocking levels are based on known or anticipated usage. These stock items are considered Held For Sale/Use.

      (2) Demand Development - New item of supply that has not reached maturity to establish a demand history. Items are kept in a demand development category for a period of five (5) years from date of first registered demand. After the demand development period expires, items are re-categorized as demand. Most items in this category have extremely limited on hand quantities, or are procured and shipped to a customer after the customer submits a requisition. These stock items are considered Held for Sale/Use.

      (3) Long Supply - The quantity of demand based stock identified either by systematic or manual calculations that is above the economic retention limit or numeric insurance level and must be reviewed to see if economic retention factors can be applied. Because supply requirements usually fluctuate over a period of time, a long supply quantity which is 10 percent or less of the total stock quantity of the item is considered marginal and need not be reviewed or reduced. Any item with a quantity greater than 110% of 2 years worth of demand, including safety stock, must be processed IAW the Excess Decision Tree (Figure 10-2), as long as the item is no longer in the demand development period IAW 10.A.3.a.2. of this manual. ICPs will report the items that exceed 110% of 2 year demand plus safety stock to the Program Offices on an annual basis. Each ICP shall ensure that a documented process is in place to identify

new long supply candidates and to review stock previously identified as retained long supply items. Review results shall be reported, at a minimum, annually and whenever associated systems or end items are scheduled for phase out or retirement.

(4) Safety stock - Is stock that provides protection against running out of stock during the time it takes to replenish inventory.

(5) Excess stock - Is stock that exceeds the demand expected in normal operations because the quantity on hand is more than can be issued/sold in the foreseeable future, and that does not meet management's criteria to be held in reserve for future sale. Excess stock is a quantity of an item that has been declared excess after review by logistics personnel. Determination of excess stock shall include demand criteria, user population, lead time, special production considerations, and non-demand based engineering changes or projects. Inventory Managers shall refer to the Excess Material Decision Tree (Figure 10-2) when making excess material determinations. Excess stock shall be disposed of within one year. For revolving funds this disposal shall be within one year of funds being available.

(6) Obsolete stock - Is a quantity of an item that is no longer useable due to changes in technology, laws, customs or operations. The asset is determined obsolete if no future usage is projected for that item (or subcomponents) for any Coast Guard unit. Inventory Managers shall refer to the Obsolete Material Decision Tree (Figure 10-3) when making obsolete material determinations. Obsolete stock shall be disposed of within one year. For revolving funds this disposal shall be within one year of funds being available.

(7) Unserviceable (scrap, condemned) - Is stock that is damaged and can no longer be economically repaired. Unserviceable assets are those that have been determined that it is more cost effective to re-procure than to repair the stock item. Inventory Managers shall refer to the Unserviceable Material Decision Tree (Figure 10-4) when making unserviceable material determinations. Unserviceable stock shall be disposed of within one year. For revolving funds this disposal shall be within one year of funds being available.

b. Non-Demand Based Inventory

(1) Foreign Military Sales (FMS) - An item of supply that is held for authorized recipients for a specified period under guidelines established by Commandant International Affairs (CG-922). FMS material must be screened for federal reuse first. Once federally screened the items are made available to the FMS program. Items held exclusively for FMS shall be considered obsolete stock and valued at net realizable value. Net realizable value shall be based on the guidelines for reimbursement to the CG contained in the guidelines established by G-CI. If the FMS items are also used by current CG assets then these stock items are considered Held for Sale/Use and are not considered obsolete. Each ICP shall develop a process for local FMS oversight. Inventory records will be

coded in a manner that clearly identifies FMS stock. FMS assets shall be reviewed annually to ensure that the FMS agreement remains in place.

(2) Insurance Item - An item of supply that is procured and stocked because essentiality dictates that a minimum quantity be available in the supply chain. No replacement is predicted through normal usage, but if damage or loss occurs through accident, abnormal equipment or system failure, or other unexpected occurrences, lack of replacement would seriously degrade the operational capability of the system or platform. The quantities listed below may be exceeded based on the Inventory Manager's documented need or forecast, the supply status of the item, investment costs and the expected cost of non-availability. The Inventory Manager shall document the circumstances and retain for future reference. Annual review and documentation of any insurance item managed over the quantity of two is required. Documentation shall be maintained in the National Item Identification Number (NIIN) folder. The stocking levels in Figure 10-1 are applicable for insurance items:

If…	And…	Then...
The procurement lead time for an item is < 24 months…	The item is installed on < 25 platforms…	No more than 1 item may be stocked for insurance purposes.
	The item is installed on ≥ 25 platforms…	No more than 2 items may be stocked for insurance purposes.
The procurement lead time for an item is ≥ 24 months…		No more than 2 items may be stocked for insurance purposes.

Figure 10-1

(3) Navy-Type, Navy-Owned (NTNO) - Standard Navy type equipment which is procured by the Navy, or with Navy funds, and used by the Coast Guard in support of Navy mission requirements. These stock items are excluded from Coast Guard financial reporting, and are reported to the Navy in accordance with published Navy reporting requirements. The Navy provides funding for repair of this equipment or in some cases provides equipment as free issue to the Coast Guard. A majority of the surface fleet NTNO material is furnished directly from the Navy to individual Coast Guard units and may be subject to ICP management. All aviation NTNO material is managed/issued by ARSC.

(4) Project Materiel - An item of supply that is held for a specific purpose, with a specific start and end date, and a specific authorized recipient. These stock items are considered Held in Reserve for Future Sale/Use.

(5) Government Furnished Material (GFM) - An item of supply that is issued and consumed in the manufacturing or repair process. This item is not returned to the ICP. These stock items are considered Held in Reserve for Future Sale/Use.

(6) Government Furnished Equipment (GFE) - An item of supply that is used to assist in the manufacture or repair process. The item is loaned and is returned to the ICP after completion of repair or manufacture. These stock items are considered Held in Reserve for Future Sale/Use.

4. The inventory management process is influenced by many variables, such as:

   a. The provisioning process,
   b. Funding levels and sources,
   c. Operational criticality,
   d. Inventory stratification,
   e. Projected materiel availability over the life cycle of the item,
   f. Procurement and repair lead time,
   g. Reparability of the item of supply,
   h. Variability of demand,
   i. Valuation requirements, and
   j. Accounting and Reporting requirements.

B. Inventory Management References.

1. Code of Federal Regulations, Title 41 CFR, part 101-27, section 3
2. Depot Maintenance Inter-service Agreements, OPNAVINST 4790.14
3. Policy for Navy Support of U.S. Coast Guard, OPNAVINST 4000.79
4. Coast Guard Engineering Logistics Concept of Operations (ECONOP), COMDTINST 4100.7 (series)

C. Policy.

ICPs shall:

1. Develop and maintain local criteria and documentation to identify stock items and apply economic retention factors as defined in Title 41 CFR, part 101-27.

2. Develop and document cost effective inventory management processes that provide sustainment for platforms, systems and equipment.

3. Manage ICP stock in the following manner:

   a. Materials under the cognizance of Aircraft Repair and Supply Center (ARSC) shall be managed as Operating Expense (OE) items, free issue.

   b. CG demand items, consumable and reparable, under the cognizance of Engineering Logistics Center (ELC) should be initially managed as OE items. Usage data for

consumables shall be monitored for possible item transfer to Supply Fund (SF) management.

(1) Consumable OE managed items experiencing four (4) or more demands within one (1) year shall become a candidate for transfer to SF management.

(2) Consumable OE managed items experiencing eight (8) demands within a two (2) year period should normally be transferred to SF management.

4. Stratify and document long supply and insurance item stock quarterly. Items determined not to be economical to stock, or that can be managed by OGA (request supply support from OGA), or that can be purchased locally from commercial market, or that due to configuration changes are being phased out, shall be coded terminal waiting for disposition action.

5. Develop and maintain reparable programs (See Chapter 11, Reparables Program chapter of this manual).

6. Enter into PICA/SICA supply support arrangements with OGAs as necessary to meet customer requirements.

7. Position stock as necessary to enhance supply support. Demand stock levels shall be based on Supply Chain Management principles best suited to the commodity of supply managed. Insurance item stocking levels shall be determined by the method addressed in Figure 10-1.

8. Dispose of excess stock through the Defense Reutilization and Marketing Office (DRMO), Defense Material Return Program, or other approved methods as outlined in the CG Personal Property manual, COMDTINST M4500.5.

Excess Material Decision Tree

(Demand Based Inventory)

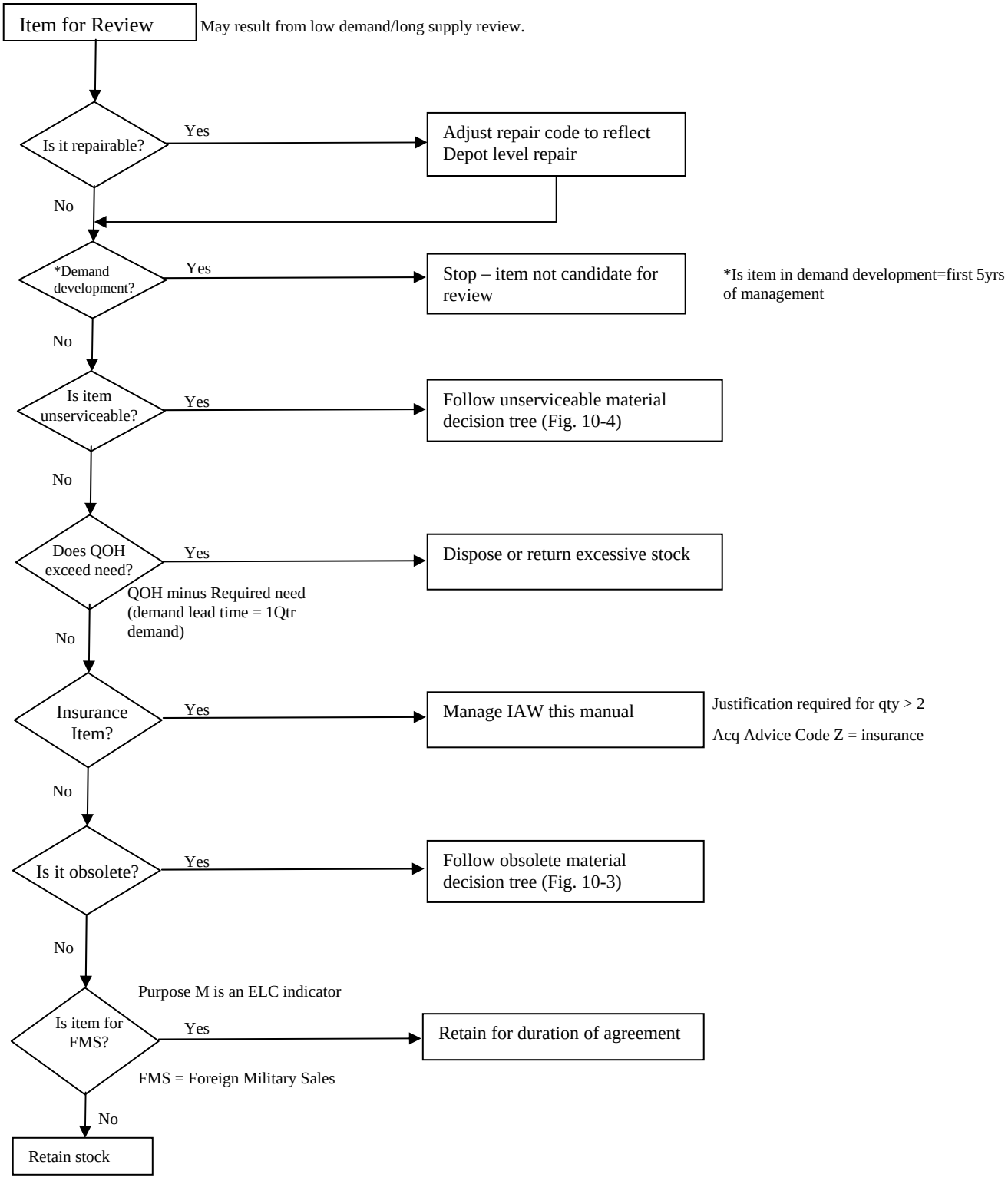

Figure 10-2

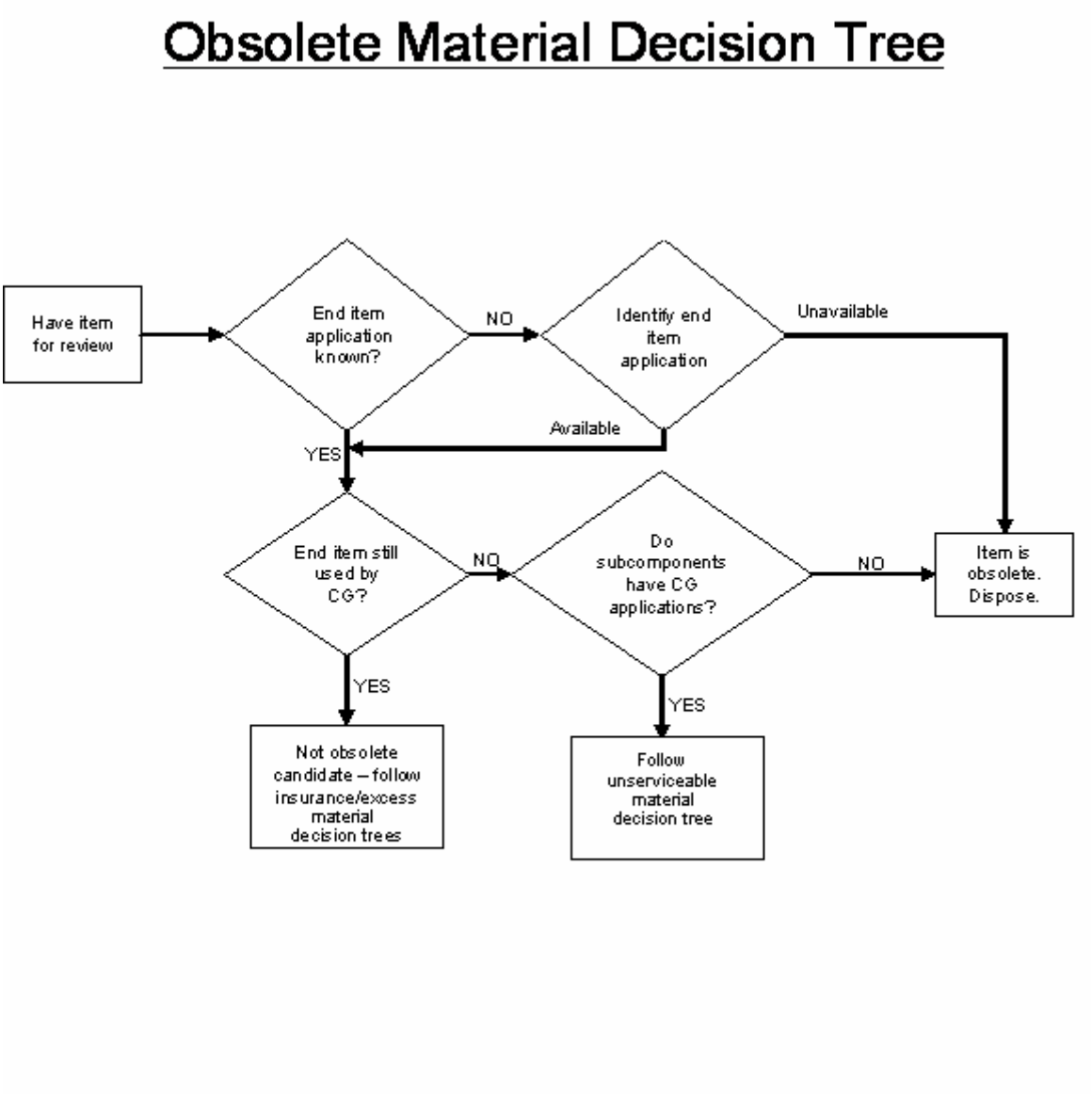
Obsolete Material Decision Tree
Have item for review
End item application known?
NO
Identify end item application
Unavailable
Available
YES
End item still used by CG?
NO
Do subcomponents have CG applications?
NO
Item is obsolete. Dispose.
YES
YES
Not obsolete candidate – follow insurance/excess material decision trees
Follow unserviceable material decision tree

Figure 10-3

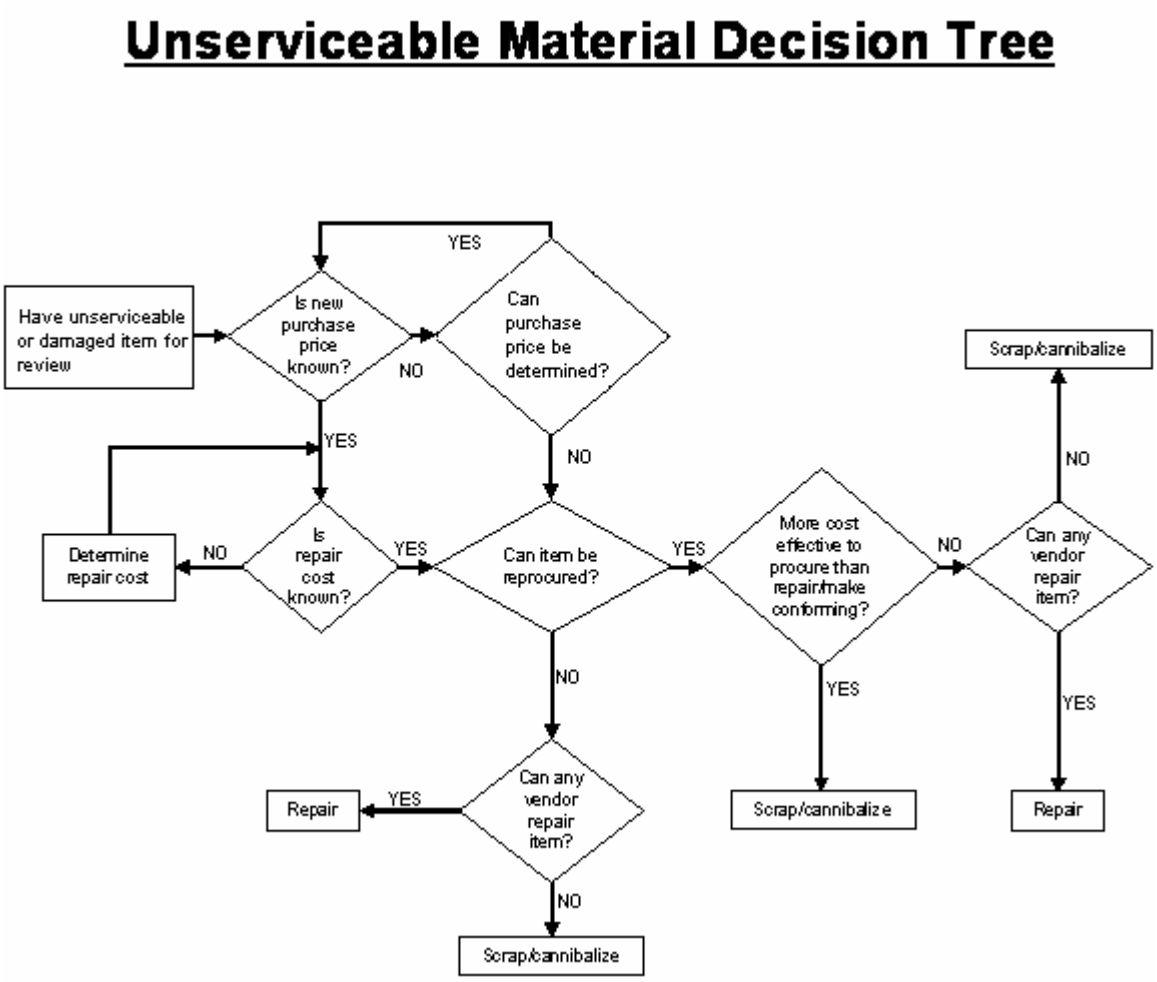
Unserviceable Material Decision Tree
Have unserviceable or damaged item for review
Is new purchase price known?
YES
NO
Can purchase price be determined?
YES
NO
Determine repair cost
NO
Is repair cost known?
YES
Can item be reprocured?
YES
NO
More cost effective to procure than repair/make conforming?
YES
NO
Can any vendor repair item?
YES
NO
Scrap/cannibalize
Repair
Scrap/cannibalize
Can any vendor repair item?
YES
NO
Repair
Scrap/cannibalize

Figure 10-4

Insurance Material Decision Tree

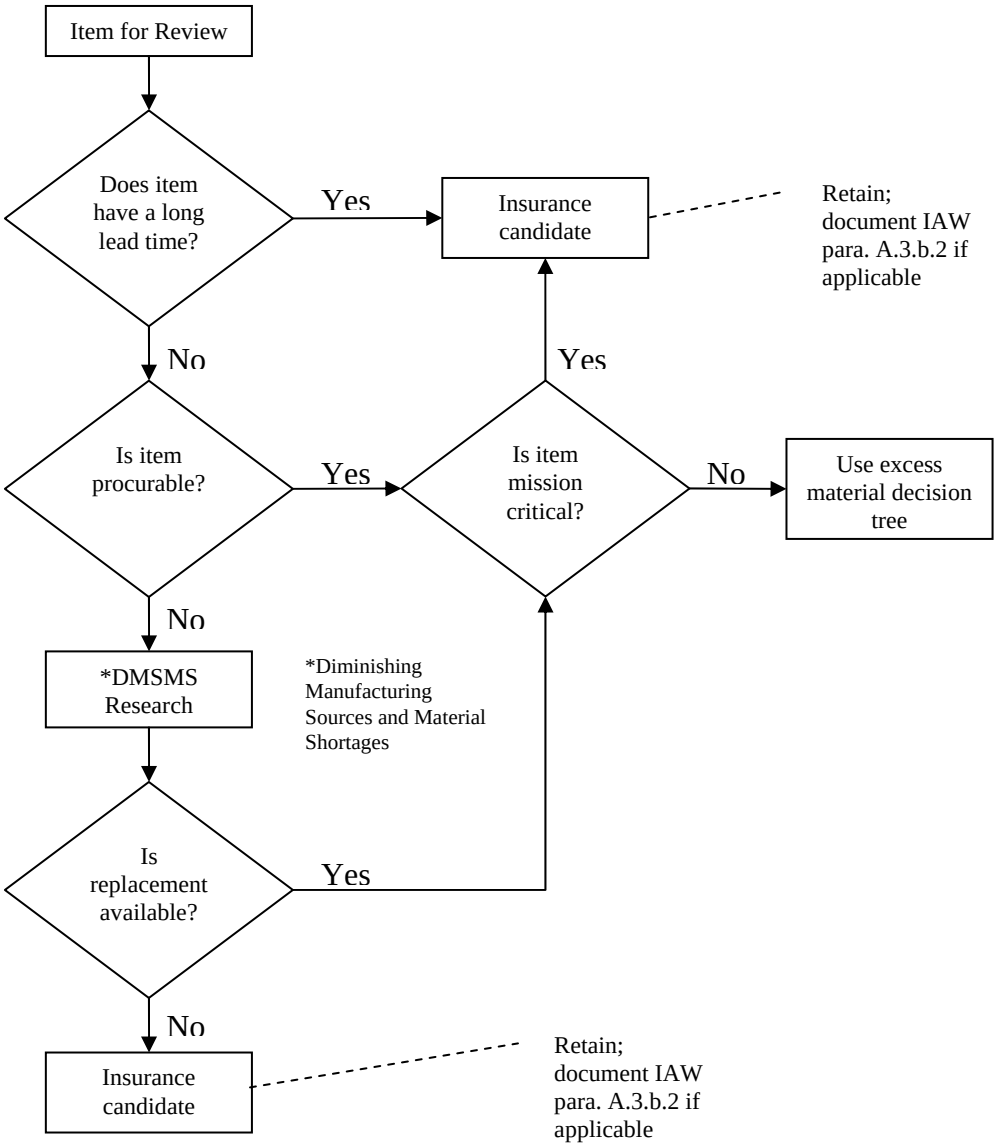

Figure 10-5

CHAPTER 11 - REPARABLES PROGRAMS

A. Overview. The reparable policy described in this chapter relates to ICP management of Depot Level Reparable (DLR) assets. A reparable asset is an item that, when unserviceable, normally can be economically restored to a serviceable condition through repair procedures. Many equipment(s), assemblies and subassemblies are candidates for the reparable program. The repair of an unserviceable item, as an alternative to replacing it with a new one, is a method of supply support that may be an economical and effective means of satisfying maintenance requirements. However, the fact that an item can be repaired and returned to service does not mean it is always economical or efficient to do so.

1. The decision to repair an item must be based on several parameters; preventive and corrective maintenance support plans, product availability, Economic Repair Quantity (ERQ), operational requirements, quantity on hand, demand requirements, and sound economic principles. The initial determination and level to repair a reparable candidate normally occurs before or during the initial provisioning process during the development of the maintenance plan. The plan includes information necessary to establish the source maintenance and recoverability (SM&R) code. The maintenance plan also designates the lowest maintenance level that is authorized to perform a specific task on an asset. The maintenance levels may be designated as reparable at the organizational or depot level. Items coded with a repair code of 'R' indicate depot level reparables that are repairable at the ICP level. All other items are treated as consumable from the ICP perspective. However, during the management life of the item, some consumable items may meet the reparable criteria as they become obsolete and replacement is no longer available or cost effective. Additionally, items originally designated as reparable may no longer remain repair worthy as sufficient assets exist on hand to meet the asset life cycle.

2. Aircraft Repair and Supply Center (ARSC) and Engineering Logistics Center (ELC) reparable programs address only Depot Level Repairs (DLRs) under their cognizance.

B. Reparables Program References.

1. Code of Federal Regulation Title 41 CFR, part 101

2. DoD Supply Chain Materiel Management Regulation, DoD 4140.1-R

3. Depot Maintenance Inter-service Agreements, OPNAVINST 4790.14

4. Supply Policy and Procedures Manual (SPPM), COMDTINST M4400.19 (series)

C. Policy.

1. Every Coast Guard unique item shall be considered for a reparable program candidate review process.

2. A reparable asset is an item with a support plan that, when the item is unserviceable, calls for restoration to a serviceable condition through economical repair procedures. Assets not meeting these criteria are classified as consumable.

3. The candidate review process shall consider the maintenance support plan, resource requirements, material availability, on-hand quantities, production lead and/or repair turn around time, ERQ and the customer's operational readiness requirements before entering a candidate into the reparable program. Inventory Managers shall refer to the Repair Code Classification Decision Tree (Figure 11-1) when making repair code determinations.

4. Material deemed to be worthy of depot level repair will remain the property of the ICP regardless of the physical location of the material. The ICP shall be responsible for all management decisions, accountability, and condemnation or disposal decisions.

5. ICPs shall develop and maintain an effective DLR program with well-documented procedures. The program will address both the initial determination process and a review of existing decisions.

   a. A minimum of 10% of the existing reparable items will be selected from the quarterly statistical sample for review.

   b. A repairable review shall be conducted when the associated asset or end-item component is identified for logistics update or disposal.

   c. The review will be recorded in the NIIN/item folder.

   d. The review shall include the following elements:

      (1) Identification and recording of inactive items and quantities exceeding the known or projected demand.

      (2) Classification changes from depot-level reparable to field-level reparable or consumable shall also be reflected in updated source, maintenance, and recoverability (SMR) codes to ensure that the classification of an item continues to provide the most economical support throughout the life of the item.

      (3) Requisition activity shall be reviewed to ensure that the inventory end item application code accurately reflects actual usage.

   e. In the case of older assets with infrequent replenishments, it may be beneficial to review the purchase and repair price to determine the benefits of utilizing a replacement cost in analysis. Use of a replacement cost as a function of the

repair/replace criteria recognizes the fact that the unit price of a reparable item, as provided by the contractor during the initial supply support acquisition stage is generally an estimate. This estimate many not be representative of the actual cost of an item if procured at a later date. The replacement cost of an item, when the item is out of production or when purchased in small lots, can be significantly higher than the initial acquisition cost. ICPs may, therefore, consider the unit price provided and may estimate the replacement cost. If a replacement cost estimate is used, the estimate will be based on experience with similar items, knowledge of materiel costs, current market conditions, source availability, and item uniqueness. In arriving at the replacement cost, and determining the applicable repair code, all pertinent data provided by the cognizant acquisition or program/support managers and the procurement activities, as appropriate, will be considered by the ICPs. The repair/replace decision is the joint responsibility of the cognizant acquisition or program/support manager and the cognizant ICP, and will be supported by a business case.

6. ICPs shall maintain documentation to support reviews and detailed reparable item records in an audit ready status. The results and documentation of the reparable support determination reviews shall be maintained by the ICPs in the NIIN/item folder.

7. Repair costs shall be updated at least annually. When no historical data is available, engineering or technical estimates of current manufacturer repair or market repair quotes can be utilized. Repair lead times will be updated at the same time as repair cost.

8. ICPs may enter into rotable pool agreements with maintenance/support managers as necessary to improve supply support and reduce costs.

   a. Item of supply candidates for rotable pool management must meet all of the following criteria:

      (1) Managed as a Mandatory Turn-in Reparable (MTR) item of supply,

      (2) Have an average annual demand rate that makes it more efficient to fill using a rotable pool and system stock inventory than just system stock inventory alone,

      (3) Be an item of supply which has several cycles of useful life, and

      (4) Meet any other additional criteria unique to the rotable pool candidate or the platform it supports.

   b. The rotable pool custodian is responsible for repairs when the supply item is in rotable pool status.

   c. Rotable pool visibility shall be maintained by the ICP.

   d. Rotable pool custodians shall provide annual validations as to the existence, count, and condition of the assets.

Repair Code Classification Decision Tree

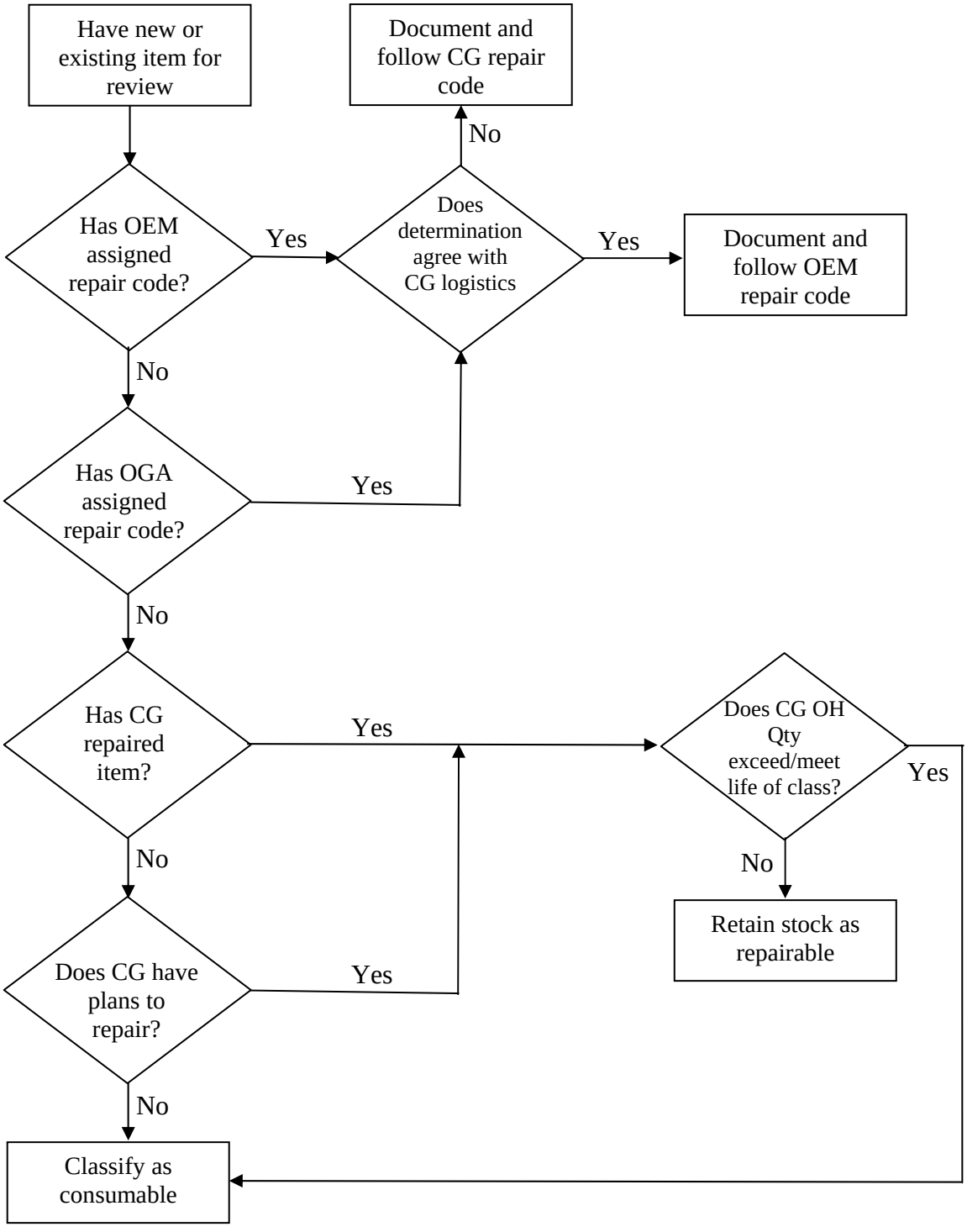

Figure 11-1

CHAPTER 13 - WAREHOUSE MANAGEMENT

A. Overview. Warehouse management encompasses both care of material and physical asset accountable aspects of inventory. There are many functions and interrelationships required to ensure proper warehouse management, such as:

1. Accountability. The warehouse is responsible for accountability of material while in its physical possession.

2. Physical Inventory. See Chapter 16, Physical Inventory, of this manual.

3. Security. Much of the material received, stored, issued, and shipped creates an environment in which possible pilferage/loss is a constant concern. For these reasons, and to ensure mission accomplishment, appropriate security measures are required for the protection of items of supply. Measures, such as locking devices, intrusion detection devices, protective lighting, access control and personnel training, are required to sustain an effective security management program.

4. Hazardous Material (HAZMAT). HAZMAT are materials which by virtue of their inherent characteristics require additional control to ensure adequate safety to life and property. They are identified at the time of procurement and packaged, packed, marked and stored to provide the proper degree of protection.

5. Packing and Preservation. Items of supply require protection from deterioration and damage during storage, shipment and handling. The packing and preservation process provides the proper degree of protection required at the minimum cost.

6. Traffic/Shipping. The traffic/shipping process is the preparation, packing, marking and shipping of CG items of supply in such a way that safe delivery to the customer is assured.

B. Warehouse Management References.

1. Storage and Materials Handling, DOD Regulation 4145.19-R-1.
2. Shelf-Life Management Manual, DOD 4140.27-M.
3. Industrial Security Manual for Safeguarding Classified Information, DOD Manual 5220.22-M.
4. Information Security Program Regulations, DOD Regulation 5200.1-R.
5. Industrial Security Regulations, DOD Regulation 5220.22-R.
6. Code of Federal Regulation, Titles 29 CFR and 49 CFR.
7. Preparing Hazardous Materials for Military Air Shipments, AFJMAM 24-204.
8. U.S. Coast Guard Postal Manual, COMDTINST M5110.1 (series).
9. Transportation of Freight, COMDTINST M4610.5 (series).

10. Transportation Acquisition Regulations (TAR)
11. MILSTRIP Manual, DOD 4000.25-2-M
12. DoD Supply Chain Materiel Management Regulation, DoD 4140.1-R
13. Classified Information Management Program, COMDTINST M5510.23

C. Policy.

1. The ICPs shall establish and maintain inventory records, financial documents and physical safeguards over warehoused material.

2. Ready-for-issue material shall be maintained so as to minimize the need for inspection, testing, and re-preservation at the time of shipment and to maintain readiness at an optimum level. Ready for Issue stock shall be stored separately from Not Ready for Issue stock.

3. Items of supply shall be preserved, packed, and marked as required prior to placement into storage and stored in an appropriate storage facility and environment. Consumable items do not need to be marked with a condition code unless it is other than "A" condition. Items stored loosely/unpacked shall have the NSN clearly marked on the item, storage container, storage bin, rack or pallet.

4. Packaging and preservation inspections shall be conducted IAW references 7 & 9. Material found to be deteriorated or in need of re-preservation shall be restored to ready-for-issue condition as required.

5. Items of supply requiring periodic functional and/or shelf life testing shall be inspected as required, then repackaged and re-preserved to a ready-for-issue condition.

6. Physical inventories shall be conducted to ensure accuracy of items of supply. The policies, procedures, and reporting requirements for physical inventory contained in Chapter 16 shall be followed.

7. Classified, sensitive, pilferable, controlled, and hazardous materials shall be procured, marked, handled, stored, shipped and disposed of per applicable directives and regulations. ICPs shall procure and stock only the minimum quantities of hazardous materials necessary to satisfy their customer's operational requirements.

   a. Definition of classified, sensitive, pilferable, controlled and hazardous materials:

      (1) Classified Items. Materiel which requires protection in the interest of National Security. (see reference 13)

(2) Sensitive Items. Materiel which requires a high degree of protection and control due to statutory requirements or regulations (i.e., precious metals, gems, which are of a high value, highly technical, or hazardous nature).

(3) Pilferable Items. Materiel having a ready resale value or application to personal possession and which is, therefore, especially subject to theft. The items should have a minimum dollar value of $100 or more.

(4) Controlled Materials. Any item defined by the command to be controlled.

(5) Hazardous Materials. Materials that the Department of Transportation has determined to be a risk to health, safety and property; includes items such as explosives, flammable liquids, poisons, corrosive liquids and radioactive material.

8. ICPs shall develop and manage a traffic/shipping and receiving program that:

   a. Receives materials, performs quality inspections to validate the count, condition, packaging, marking, and to identify obvious damage. The time standard for processing receipts are as follows:

      (1) Materiel is considered to be in storage when it reaches either a temporary or permanent location. This does not include materiel received at Defense Contract Management Command (DCMC) receiving locations.

      (2) Recording asset receipts and making asset records visible from the point of inspection and/or acceptance shall normally be accomplished within 24 hours (except holidays and weekends).

      (3) Receipts will be processed within ten calendar days of vendor or carrier delivery.

   b. Schedules, routes, tracks and expedites shipments, including priority and local pickup and delivery, and establish Time definite delivery standard procedures to comply with the standards laid out in reference 12.

   c. Ensures that packing and shipping containers protect their contents during shipment so that materials are delivered to the customer without damage.

9. When the last item is issued from a warehouse location and the IT system for the ICP does not have a fixed location to stock number established the ICP shall reduce the on-hand balance for the location to zero and disassociate the stock number from the location.

CHAPTER 15 - MEASUREMENT AND REPORTING REQUIREMENTS

A. **Overview**. Measurement is the process that allows an organization to confirm processes are performing as intended. The Coast Guard must be an effective steward of the taxpayer's dollars and must make fact-based business decisions. Much of the information to support those decisions comes from measurement, or metrics. The feedback provided by the metrics is applied to improve supply chain processes that support Coast Guard operations.

B. **Measurement and Reporting Requirements References**.

1. Government Performance and Results Act (GPRA), Public Law 103-62.
2. Coast Guard Logistics Doctrine, COMDTINST 4000.5 (series).
3. Coast Guard Measurement Strategy and Responsibilities, COMDTINST 5224.9 (series).

C. **Policy**.

1. Inventory Control Points (ICPs) shall develop and maintain a process for measuring and monitoring performance of their internal functions in accordance with the directives contained in paragraph B.

2. ICPs shall develop and provide to their respective program office the Quarterly Inventory Control Effectiveness (ICE) report. Instructions for completing the ICE Report are contained in Exhibit 15-1.

3. External inquiries regarding the status of supply operations will be submitted to the ICP's cognizant program office. The program office will coordinate responses with the ICP.

4. ICPs shall fully document and support the collection methodology for figures reported on the ICE Report.

Exhibit 15-1

INVENTORY CONTROL EFFECTIVENESS (ICE) REPORT

A. **Category**. The ICE report has two categories, Operational Metrics and Inventory Metrics. Performance goals exist for most metrics in each category. They are the acceptance levels for the ICPs.

B. **ICE Report Form CG-5644 (2/05) (RCN-4121-1) Preparation Instructions**. The following report heading/column instructions are provided for preparing the ICE Report.

1. Unit Name. Enter the name of the ICP reporting activity in the upper right side of report.
2. Period. Enter the applicable fiscal quarter and fiscal year (example: lst QTR FY03). Data entered in the report reflect only activity occurring during that quarter.

C. **Operational Metrics**. The following metrics measure and assess the ICP's performance related to customer support, asset management, and readiness during the reporting period.

1. Issue Effectiveness (Customer Requisitions). This metric reports as a percentage the number of requisitions during the reporting period immediately satisfied by issues from ICP stock.
   a. Number of Requisitions. Enter the total number of requisitions accepted at the ICP.
   b. Number of Immediate Issues from Stock (Point of Entry (POE)). Enter the total number of customer issues immediately filled from stock.
   c. Issue Effectiveness Rate. This percentage is computed by dividing the number of issues by the number of requisitions and multiplying the result by 100, [(1.b/1.a) x 100]. The performance goal for issue effectiveness is >= 90%.
2. Issue Denials (All Requisition Types). This metric reports as a percentage the number of materiel release orders directed for shipment that were not shipped by the warehouse or distribution activity.
   a. Number of Issues. Enter the total number of issues. This includes all issues made within the system (i.e., customer issues, issues to disposal, issues to repair, special issues, etc.).
   b. Number of Denials. Enter the total number of warehouse denials.
   c. Denial Rate. This percentage is computed by dividing the number of denials by the number of issues and multiplying the result by 100, [(2.b/2.a) x 100]. The performance goal for denial rate is <= 1%.
3. Receipt Processing (Inventory receipts processed within 10 days). This metric reports as a percentage the ICP's on time receipt processing performance. It is measured from the time the material is received at the door until the on-hand balance reflects the new quantity of on-hand assets available for issue.

a. Number of Receipts processed (door, accept, receipt). Enter the total number of inventory receipts processed.

b. Number Processed On Time. Enter the total number of inventory receipts processed within 10 days from door date to asset available date.

c. On Time Receipt Rate. This percentage is computed by dividing the total number of inventory receipts processed on time by the total number of inventory receipts processed and multiplying the result by 100, [(3.b/3.a) x 100]. The performance goal for the on time inventory receipt is >= 90%.

4. Weighted Average Price Algorithm Verification. The weighted average price is used for valuing inventory items. This metric is designed to ensure that the weighted average price algorithm is correctly valuing the ICP's inventory. Results are reported as a percentage.

a. Number of items checked. Enter the total number of receipts checked for valuation accuracy.

b. Number of items without errors. Enter the number of receipts without valuation errors.

c. Verification Accuracy Rate. Verification accuracy rate is computed by dividing the number of items without errors by the number of items checked and multiplying the result by 100, [(4.b/4.a) x 100]. The performance goal for valuation accuracy is >= 99%.

D. **Inventory Metrics**.

1. Inventory Composition (Period End). This metric reports the volume and value of inventory.

a. Total line items. Enter separately the total inventory line items of OM&S and PP&E material as of the end of the reported period.

b. Total value of inventory. Enter separately the total value of the OM&S and PP&E inventories as of the end of the reported period.

2. Inventory Disposals. This metric reports the value of inventory issued to disposal as excess, obsolete, or unserviceable as defined in Chapter 10.

a. Value of excess items issued to disposal. Enter the extended total dollar value of excess items issued to disposal.

b. Value of obsolete items issued to disposal. Enter the extended total dollar value of obsolete items issued to disposal.

c. Value of unserviceable items issued to disposal. Enter the extended total dollar value of unserviceable items issued to disposal.

3. CFO Statistical Sample Inventories. This metric reports results of the quarterly statistical sample inventory. The figures reported in the metric are drawn from the report of quarterly inventory results that are tied to the ICP Balance Sheet for the same period.
   a. Value of Universe. The dollar value of the items contained in the OM&S and PP&E sample universes.
   b. Number of Items in the OM&S and PP&E Universes. Enter the total number of inventory line items in statistical sample universe.
   c. Value of OM&S and PP&E Sample. Enter the dollar value of inventory items contained in the statistical sample.
   d. Number of items in OM&S and PP&E Sample. Enter the total number of items contained in the statistical sample.
   e. Number of adjustments posted for each quarterly sample. Enter the sum of inventory gain and loss adjustments.
   f. Value of adjustments posted for each sample. Enter the net value of inventory adjustments.
   g. CFO results (pass/fail). Indicate pass/fail based on a minimum 95% confidence interval and a 95% dollar value accuracy goal.

E. **Additional Remarks.**

1. Additional remarks and amplifying information can be added at the bottom of the form. Any exclusions and/or inclusions to the above data results shall be kept on file by the ICPs.

RCN-4121-1
UNIT NAME

_____

PERIOD: _____

INVENTORY CONTROL
EFFECTIVENESS REPORT

CATEGORY	Total	Goal
OPERATIONAL METRICS:		
1. Issue Effectiveness (Customer Requisitions)		
a) Number of Requisitions		
b) Number of Issues from Stock (Point of Entry (POE))		
c) Issue Effectiveness Rate (%)		=/> **90%**
2. Issue Denials (All Requisition Types)		
a) Number of Issues		
b) Number of Denials		
c) Denial Rate (%)		=/< **1%**
3. Receipt Processing (Inv receipts within 10 days)		
a) Number of Receipts Processed (Door, Accept ,Receipt)		
b) Number Processed on Time		
c) On Time Receipt Rate (%)		=/> **90%**
4. Weighted Average Price Algorithm Verification		
a) Number Items checked		
b) Number of Items without errors		
c) Verification Accuracy Rate (%)		=/> **99%**
INVENTORY METRICS:		
1. Inventory Composition (Period End)		
a) Total Line Items		
b) Total Value of Inventory		
2. Inventory Disposals		
a) Value of excess issued to disposal		
b) Value of obsolete issued to disposal		
c) Value of unserviceable issued to disposal		
3. CFO Statistical Sample Inventories		
a) Value of Universe		
b) Number of items in Universe		
c) Value of Sample		
d) Number of items in Sample		
e) Number of adjustments posted		
f) Value of adjustments posted		
g) CFO results, confidence interval		Pass/Fail
h) CFO results, $ value accuracy		Pass/Fail

Additional remarks: